

Accounting and Financial Reporting

Title 18, California Code of Regulations, Division 18, Chapter 6

Section 12400. Definitions

- (a) Except as otherwise provided in subdivision (b), the definitions in Business and Professions Code section 19805 shall govern the construction of this chapter.
- (b) As used in this chapter:
 - (1) "Cash equivalent" means a treasury check, personal check, traveler's check, wire transfer of funds, money order, certified check, cashier's check, a check drawn on the licensee's account payable to a patron or to the licensee, a voucher recording cash drawn against a credit card or debit card, or a short-term marketable security which can be immediately redeemed.
 - (2) "Dealer's bank" means the total amount of moneys a dealer of the gambling establishment has on deposit with the gambling establishment for chip trays.
 - (3) "Drop" means the total amount of compensation collected from patrons of a gambling establishment to play in controlled games.
 - (4) "Fiscal year" means the annual period used by a licensee for financial reporting purposes.
 - (5) "Group I licensee" means a licensee with a reported gross revenue of \$10 million or more for the preceding fiscal year.
 - (6) "Group II licensee" means a licensee with a reported gross

revenue of \$2 million or more but less than \$10 million for the preceding fiscal year.

- (7) "Group III licensee" means a licensee with a reported gross revenue of less than \$2 million for the preceding fiscal year.
- (8) "Jackpot" means a gaming activity appended to the play of an authorized game in a gambling establishment.
- (9) "Player's bank" means the total amount of moneys a patron of the gambling establishment has on deposit with the gambling establishment.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12401. Accounting Records.

Each licensee shall:

- (a) Maintain accurate, complete, legible, and permanent records of all transactions pertaining to gross revenue as defined in Business & Professions Code Section 19805(p). Records must be maintained in sufficient detail to support the amount of revenue reported to the Commission in renewal applications.
- (b) Maintain accounting records identifying the following:
 - (1) Revenues, expenses, assets, liabilities, and equity for the gambling establishment.

- (2) Records of all player's banks, dealer's banks, credit transactions, returned checks, and drop for each table (either by shift or other accounting period).
- (3) Records required by the licensee's written system of internal controls.
- (4) Records of all jackpot moneys contributed by the gambling establishment, collected from patrons, or both, and moneys withdrawn for either administrative costs or payment to patrons.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12402. Chart of Accounts

Any licensee with gross income at or above the amount stated in Business & Professions Code section 19951(d)(3) shall:

- (a) Maintain a uniform chart of accounts and accounting classifications in order to ensure consistency, comparability, and effective disclosure of financial information. The chart of accounts shall provide the classifications necessary to prepare a complete set of financial statements including a balance sheet, statement of operations, statement of changes in equity, and a statement of cash flows.

- (b) Within 90 days of the effective date of these regulations, submit the chart of accounts to the Commission for approval. The Commission shall submit a copy of the chart of accounts to the Division for review and comment. The Division shall provide the Commission with comments, if any, within fifteen (15) calendar days of the submission to the Division. If the Division does not respond within fifteen (15) days, it shall be deemed that the Division does not object to the chart of accounts or have comments. The Commission shall then have 30 days to approve, reject, request additional information, or approve with modification(s) the chart of accounts and advise the licensee.
- (c) Not use a chart of accounts other than the approved chart of accounts, but may expand the level of detail for some or all accounting classifications and/or alter the account numbering system, provided that the licensee maintains and provides promptly to the Commission a cross reference to the approved chart of accounts.
- (d) Keep a general ledger, which documents all accounting transactions completed and posted to accounts listed in the chart of accounts referred to in (a) above. General accounting records shall be maintained on a double entry system of accounting with transactions

recorded on an accrual basis and supported by detailed subsidiary records.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12403. Standardized Financial Statements.

(a) A licensee shall prepare financial statements covering all financial activities of the licensee's gambling operation for each fiscal year. If the licensee (or a person or entity who has an interest, control, or common control with the licensee) owns or operates room, food, beverage or other ancillary operations at the establishment, the financial statements must reflect the results of the gambling operation separately from those operations.

- (1) A Group I licensee shall engage an independent accountant licensed by the California Board of Accountancy to audit the licensee's annual financial statements in accordance with generally accepted auditing standards.
- (2) A Group II licensee shall engage an independent accountant licensed by the California Board of Accountancy to review the licensee's annual financial statements in accordance with standards for accounting and review services. The Division or Commission may require, or the licensee may engage, an independent accountant licensed by the California Board of Accountancy to audit the annual financial statements in

accordance with generally accepted auditing standards.

- (3) A Group III licensee with revenues of \$500,000 or more shall prepare financial statements similar in form to generally accepted accounting principles for compilations. If the licensee is unable to produce the financial statements, they shall engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with accounting and compilation services including full disclosure in the form of notes to the financial statements. The Division or Commission may require the licensee to engage an independent accountant licensed by the California Board of Accountancy to review the licensee's financial statements in accordance with standards for accounting and review services, or audit the financial statements in accordance with generally accepted auditing standards.
- (4) A Group III licensee with a gross revenue of less than \$500,000 per year shall prepare financial statements similar in form to generally accepted accounting principles for compilations. If the licensee is unable to produce the financial statements, it shall engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with accounting and compilation services and management may elect not to provide footnote disclosures as required by generally accepted accounting principles. The Division or Commission may require the licensee to engage an independent

accountant licensed by the California Board of Accountancy to review the licensee's financial statements in accordance with standards for accounting and review services, or audit the financial statements in accordance with generally accepted auditing standards.

- (b) A licensee shall submit copies of the annual financial statements to the Division and Commission as required in section 12403 not later than 120 calendar days following the end of the fiscal year covered by the financial statements. If a management letter is issued, a copy of the management letter must also be submitted to the Division and Commission, including the licensee's reply to the management letter, if any.
- (c) The Division or Commission may request additional information and documents from either the licensee or the licensee's independent accountant, regarding the annual financial statements or the services performed by the accountant.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12404. Records and Reports of Monetary Instrument Transactions.

- (a) A gambling establishment, as defined in section 19805(m) of the Business and Professions Code, is required to file a report of each transaction involving currency in excess of \$10,000, in accordance with sections 14162(a) and (b) of the Penal Code.

- (b) A gambling establishment shall file a report of the transaction with the Division within fifteen (15) calendar days of the transaction, in accordance with sections 14162(a) and (b) of the Penal Code.
- (c) A gambling establishment, regardless of gross revenue, shall file with the Division, within the time specified by federal law, either an original or duplicate report required by Section 6050I of Title 26 of the United States Code, and any regulations adopted thereunder, or an original or duplicate report required by sections 5313 and 5314 of Title 31 of the United States Code and by sections 103.21, 103.22, and 103.23 of Title 31 of the Code of Federal Regulations, and any successor provisions thereto or a duplicate copy of a report required by Section 6050I of Title 26 of the United States Code, and any regulations adopted thereunder.
- (d) A licensee shall make and keep a record and file with the Division a report of each currency transaction in excess of \$10,000. This requirement applies even if existing federal currency transaction report requirements are repealed or modified.
- (e) Nothing stated in this section shall be deemed to suspend the requirement that a gambling establishment make and keep a record and file a report of any transaction otherwise required by the Division or the Commission.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12405. Record Retention and Disclosure.

All records required to be maintained by the Gambling Control Act or by these regulations shall be retained by the licensee within California for at least seven years after such records are made. Upon request of the Division or Commission, a licensee shall provide the Division or Commission with copies of such records, within the time period specified in the request.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12406. Language.

A licensee shall make and maintain books, accounts, and other financial records in English.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code